



Ontario Energy Board

Commission de l'énergie de l'Ontario

Workshop Introduction and Project Update

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June 15th, 2006

Cost Allocation Review Project

- Final stages of project launched June 24, 2005
- Component of the Board's Multi-year Rate Setting Plan
- Extensive utility and stakeholder consultation



Key Objectives of Informational Filings

Cost Allocation Review

- The filing model will calculate Revenue-to-Cost Ratios, and Rate of Return, for approved 2006 rate classifications
- Will identify the existence and extent of cross-subsidization between the current rate classes of each distributor
- Model will also calculate standby costs



Key Objectives of Informational Filings

Limited Rate Classification/Rate Design Review

- Select rate classification additions (e.g. addition host distributors class) and deletions (e.g. elimination of legacy “Time of Use” rates) to be modeled
- Model will also calculate cost based floor and ceiling for fixed monthly charges
- Decision on implementing rate classification and rate design matters to follow review of results
- Will be informed by “Electricity Rate Structure Review” initiative



Next Steps and Target Dates

- Final Technical Workshop June 15, 2006
- Release Staff Proposals June 27, 2006
- Written Comments Due July 18, 2006
- Final Board Report, Model and Model Instructions issued August 2006



May Staff Proposals

- Summarized rate classifications to be modeled
- Proposed Load Data Requirements for each rate classification, including USL and Standby Rates
- Requested stakeholder comments by June 6th
- Board directions to be released June 2006
- HONI load data team to start completing individual LDC load profiles in June consistent with Board directions



Model Development

- Testing draft model started by
 - 1) Newmarket, 2) Lakeland, and 3) Waterloo North
- Model is being updated based on this testing
- Testing of updated draft of model planned by Ottawa, Hearst and others in June-July



Model Development

- Draft Model filing instructions to be developed by Staff (Lee Harmer to lead) and to be discussed with Technical Advisory Team at July 27th Meeting
- Draft model to be discussed with industry in conference calls late July, early August by Staff and modeling consultant (Bruce Bacon)



Future Steps

- Applications Group to rollout model and instructions starting September
- LDCs to be asked to file in four tranches from November 2006 to March 2007
 - see Appendix for draft filing dates for distributors
- Informational filings to be public



Board Action resulting from Cost Allocation Filings

Following conclusion of review process, the Board may identify specific utilities to address specific matters in future rate filings

- Direct identified utilities to file changes for further implementation (either November 2007 and/or May 2008 rate adjustments)
- Continued implementation of cost allocation reform in 2008 and onward on a prioritized basis



Objectives of Today's Workshop

Review Organization of Cost Allocation Studies:

- What accounting and engineering inputs
- Update on load data requirements
- Discuss experience to date of testing LDCs

Review staff position on select policy matters



Technical Advisory Team Participants

- **Ratepayer Representatives**

AMPCO, VECC, LPMA, Schools

- **Small to Medium Utilities**

Newmarket, Lakeland, Milton, Innisfil, Chatham/Kent, CNPI, Whitby, Waterloo North Hydro, Thunder Bay, ECMI, Bob Mason

- **Larger Utilities**

Toronto Hydro, Brampton Hydro, Enersource, Veridian, Hydro One, Kitchener-Wilmot, London Hydro, Ottawa Hydro, PowerStream, Horizon



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